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Kik CEO: Doing an ICO Is Our Only Way to Compete With Facebook

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In June, Kik CEO Ted Livingston appeared at the San Francisco Bitcoin Meetup to chat with World Crypto Network host Thomas Hunt about the creation of Kin, a new cryptocurrency that will be used on the Kik platform. 5 percent of the total supply of Kin will be made available in an upcoming initial coin offering (ICO) on Ethereum.

During the discussion around Kin, Livingston explained his view that Bitcoin has enabled a new business model for tech start-ups. He also discussed how Kin will be used in the Kik app, but questions remain as to whether any of this makes sense.

How Bitcoin Enabled a New Monetization Model

After explaining that he first found out about Bitcoin in 2011, Livingston described the specific attributes of the new technology that got many people excited at Kik.

“The thing that got us excited about Bitcoin was it presented what we felt was a fundamentally new business model,” said Livingston. “Before, you build a consumer app and you get all of these consumers to come to your app and then you have one or two options: option number one [is] you can sell their attention to advertisers, or option number two is you can try to sell them physical or virtual goods. We realized that with Bitcoin and the blockchain there might be a third option, which is by building an economy inside Kik, get people providing value to each other and facilitate that with a cryptocurrency such that — if you have your own cryptocurrency — if the supply remained the same … but demand went up, then the price of the cryptocurrency would go up.”

Livingston went on to explain that creating this new cryptocurrency and building an economy around it would provide a source of revenue for the initial holders of the cryptocurrency as the price increased. In the case of Kin, Kik will hold 30 percent of the total supply on their balance sheet.

Before getting to work on Kin, Kik launched Kik Points back in 2014, where the messaging app focused on building an economy within the platform. According to Livingston, the only way to get Kik Points was to earn them — you couldn’t purchase them with a credit card or anything like that. In the beginning, users could earn Kik Points only by watching ads and could only spend them on new emojis to be used in the app.

Kik Points eventually saw three to ten times the transaction volume found on the entire Bitcoin network at the time.

Livingston also pointed out that the cryptocurrency monetization model would allow Kik to have an open platform in which anyone can build on top of it without having to worry about restrictions caused by access to an API. In the past, Twitter and Facebook have limited the popularity of third-party applications because they want their users to view advertisements on the platforms they control.

“Now, it isn’t about controlling eyeballs,” explained Livingston. “Now, it’s just getting more and more people earning and spending in more and more places and more different ways. The more we did that, the better it would be for users, the better it would be for developers and the better it would be for us.”

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Kik plans to incentivize developers to build on top of the Kin cryptocurrency by granting them 60 percent of the total supply over time.

How Will a Kin Economy Grow?

When asked what Kin will be used for in the Kik app, Livingston clarified that this is not supposed to be a competitor to Venmo, where users simply send payments to each other. He noted that physical currencies work "really well" for the physical world, and cryptocurrencies work "really poorly" for the physical world.

In Livingston's view, something like Kin will be valuable in virtual communities for virtual goods. For example, a user could create a sticker and sell it for Kin. Another user may create a group chat and charge a fee for those who wish to join the chat in Kin.

"Stickers, group chats, live streams, games — all those things," said Livingston.

According to Livingston, Kik is also expecting ecosystem developers to come up with currently unknown use cases for Kin within the app over time.

Does This Make Any Sense?

Of course, it should be noted that Kin is an extremely speculative project. There have been many attempts at creating economies through the use of altcoins and appcoins in the past, and it's unclear if any of them have succeeded at this point in time.

The one alternative to Bitcoin that has gained recognition over the past year or so is Ethereum, but there may not be much substance behind the rest of the ICO hype. Vlad Zamfir, who is a researcher who works on Ethereum, recently agreed on an episode of Bitcoin Uncensored that the platform is not yet being used for much more than launching ICOs.

There is also a belief among many Bitcoin users that the appcoin model is not economically viable. This theory can be traced back to Daniel Krawisz's "Appcoins Are Snake Oil" post on the Satoshi Nakamoto Institute website back in 2014. The theory outlined by Krawisz is people will always prefer to hold better forms of money. In other words, they'll want to use the appcoin for the shortest amount of time possible and move back to bitcoin or some other form of better money as quickly as they can sell it. Switching from a good money to the appcoin for a specific use case effectively becomes a nuisance as it adds an extra layer of complexity to using the app.

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One of the key points that Livingston hints at multiple times during his appearance at the SF Bitcoin Meetup is that Kik will incentivize developers to build use cases (and thus an economy) around Kin by rewarding them with Kin for their projects. However, one could argue that developers are incentivized to create their own token rather than piggyback on one that already exists. Ironically, Kik itself is creating its own token instead of using one of the thousands already in existence.

The Only Way to Compete With Facebook

Perhaps the most interesting comments from Livingston's appearance at the Meetup came when he indicated that Kik had to do some sort of ICO because it had no other way to compete with the likes of Facebook and Google.

"We were looking at these huge companies making it so difficult for companies like Kik to monetize and so difficult to compete, that I was like, 'We need a different way to compete, and we need a different way to monetize,'" said Livingston.

Later, Livingston would get even more blatant regarding the reasons for launching an ICO.

"Just to be honest, this is something we have to do. We cannot compete with Facebook. Everything we do, they copy it two years later. They have way more developers, way more scale."

Livingston added that Kik realized this sort of issue was even worse than they realized after taking a look at Snapchat's S-1. "Even they are struggling to compete with Facebook," said Livingston.

None of the above even gets into the potential legal issues with doing an ICO, although Livingston did note that, in his opinion, Kin should not be considered a security when asked about this during the Q&A session.

Putting all of these criticisms together, the launch of Kin looks like an attempt to cash in on the hype built around ICOs and blockchain technology after realizing that competing with Facebook is a lost cause. When an audience member brought that sort of criticism up to Livingston, he compared the current state of ICOs to the dot com bubble.

"People are going to make a lot of money — people have made a lot of money," responded Livingston. "People are going to lose a lot of money here; this is coming. It's going to happen multiple times as we move through this innovation, but at the end of the day, Amazon and

multiple times as we move through this innovation, but at the end of the day, Amazon and Google came out of the dot com [bubble].”

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Kyle Torpey is a freelance writer and researcher who has been following Bitcoin since 2011. His work has been featured in VICE Motherboard, Business Insider, New York Post, and other media outlets. You can follow Kyle on Twitter or visit…

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